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“Timber products account for over a quarter of the value of all the industrial raw materials consumed in the country...By any measure, timber-based economic activity is a major force in the nation's economy, and the future of the nation's economy is directly related to the future of its forests.” (Northdurft 1984, 68-69).

Introduction: Setting the Stage for Forest based Economic Development

Interest in forest based economic development has strengthened dramatically since the wood industry's severe downturn of 1982-83 (Jones and Stanturf 1990; Jones and Koester 1989; VA Cooperative Extension 1985; University MN 1990; Webster et al. 1990). But what exactly is *forest based economic development*? Because we were unable to find a concise nor consistent deliberation in the term, we offer the following definition, based on our experience with and observations of the process in Pennsylvania and across the country.

Forest based economic development is a coordinated approach for realizing the economic potential associated with a region's forest resources. The approach involves private/public sector activities, programs, and initiatives to create jobs and increase transfer payments from outside the region, thus expanding economic activity within the region. A “region” might be a local community, a state, or even a country, and the economic potential encompasses both market and non-market goods and services generated from the region's forests. A sustainable approach to forest based economic development is one based upon the long-term use and management of the forest resource. While the definition would normally include service-oriented uses such as recreation and tourism, our focus is on forest products and industries that rely on wood as a raw material.

Increasingly, legislators and economic developers in the eastern U.S. are viewing their region's commercial forests as a springboard for economic rejuvenation. Their rationale for pursuing forest based eco-



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conomic development is rooted in several obvious realities: a declining manufacturing base in rural areas, a maturing hardwood forest nearby, and a growing demand (foreign and domestic) for temperate hardwood species.

Forest based economic development efforts today are touted as deliberate and sustainable, recognizing both the need for planning and the limits and realities of the forest resource (Jones and Stanturf 1990; University MN 1990). However, economic developers, while versed in the former, are not knowledgeable of nor sensitive to the peculiarities of a renewable natural resource (Jones 1990). Similarly, foresters and other natural resource professionals are seldom included in the economic development network, and even when they are brought into the process, their training, experience, and often their professional interests are not applicable to the task (Gowen 1990). Forest based economic development is constrained by this dilemma. The contribution that both professions can make to realizing the economic

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potential offered by forest resources can perhaps be enhanced by examining a few lessons learned from Pennsylvania’s experience with its Hardwood Initiative.

Organization of Economic Development Efforts

Economic development operates at all levels of government: Federal, supra-state regional, state, sub-state regional, county, and community. Public and private organizations and mixed partnerships operate at

most levels. Pennsylvania is rich in traditional efforts and leader in innovative programs such as the technology-based Ben Franklin Partnership. Many organizations and programs are remnants of a time when greater federal funding was available, during the Great Society era of the 1960s and continuing into Revenue Sharing in the 1970s. The prominence and influence of public sector organizations rise and fall depending on whether they are a conduit to outside funds from the federal or state government.

Pennsylvania’s Hardwood Initiative

Into the patchwork quilt of entrenched public and private sector interests and existing linkages between agencies and individuals that existed in 1986, the new Casey administration introduced the concept of “targeted industry” development and selected the hardwood industry as its first target. In truth, the Hardwood Initiative concept was introduced in the Pennsylvania Senate by rural representatives, primarily from the opposition political party (SB 945, “Hardwoods Council Act,” Session of 1987). Governor Casey’s administration picked up the idea and ran with it.

Until 1983, Pennsylvania had not formally identified the opportunity offered by its 16 million acres of increasingly valuable hardwood forests. There were

no focused efforts to tie those resources to economic development. Initial steps were taken by the Thornburgh administration in February, 1983, when nearly 200 persons participated in the Governor’s Timber Conference to develop innovative, imaginative, workable recommendations that could guide forest resource development in Pennsylvania. As an outgrowth of that conference, Pennsylvania’s Economic Development Partnership made the hardwood industry a priority.

Passed in 1988, the Hardwoods Development Council Act targeted the forest products industry for expansion, and created a 21 member advisory council of representatives from state government, higher education, the forest products industry, and the economic development community. The Department of Commerce received more than \$1.5 million through June, 1992 to fund the Council’s activities, and also received a \$200,000 grant from the Appalachian Regional Commission to fund a market analysis and develop continuing education programs for the hardwoods industry. The Council is led by the Executive Director, Hardwoods Development Council (HDC), who reports to the Secretary of Commerce.

The Council’s focus is three-fold (Jones, et al. 1989):

1. expand the hardwood industry job base;
2. improve industry efficiency through new technology and new equipment; and
3. establish educational programs for forest management, marketing, and environmental and conservation practices.

The DOC has also undertaken a number of other steps as part of its broad Hardwood Initiative. The Department designated a Hardwoods Coordinator in January of 1988 in the Office of the Governor’s Response Team to work with individual hardwood companies and to develop and implement the marketing and promotion strategy for the Hardwood Initiative.

Response to the Initiative

However, nine years since the ‘83 Governor’s Timber Conference and four years beyond passage of the Hardwoods Development Council Act, Pennsylvania’s strategy for meeting the forest based eco-

economic development challenge is not clearly defined. The effort suffers from a condition that could be transformed into a strength — many individuals and organizations, public and private, from state-level to local, are proceeding independently (or loosely collaboratively) toward their individually defined forest based economic development targets. Who are some of the more important players? What is driving them? How has Pennsylvania's Hardwood Initiative been effected?

State-Level: Economic development at the state level is managed by the DOC. Financial assistance, as well as other traditional economic development thrusts such as regional promotion and industry recruitment, remain the cornerstone of Pennsylvania's state-level program. Financial assistance is a very visible part of the Hardwood Initiative. The hardwood-based industry received \$80.1 million in financial assistance from 1987 through 1991. Over 100 firms in 50 of Pennsylvania's 67 counties were recipients, suggesting an approach that is neither geographically-targeted nor resource-oriented.

The actual makeup of the 21-member Hardwoods Development Council reflected strong political considerations. Eight members from agencies and the legislature are legislatively determined. Candidates for the 13 at-large, appointed positions are carefully scrutinized by the Governor's office. One unusual appointment was a representative of organized labor to the Council position legislatively prescribed to represent the furniture industry. The person never attended a meeting during his two year term, nor communicated directly with Council staff.

Although legislatively empowered to advise the Governor, the Council in practice met only with the Secretary, Department of Commerce. Quarterly meetings were perfunctory, with only limited opportunity for debate or discussion. Committee reports and recommendations were acknowledged, but seldom acted upon. What could have been an effective forum for policy debate and strategy setting by key people was relegated to a rather formal and sterile reporting of ongoing projects.

Hardwood Development Groups: Ideally, an effective state-level program, working through regional delivery mechanisms, could best serve the state's hardwood industry expansion efforts. The Allegheny Hardwood Utilization Group (AHUG) was formed in

1984, prior to the Hardwood Initiative, to promote greater use of abundant wood resources in northwestern Pennsylvania. Special emphasis was placed on *fostering the expansion and growth of existing and new, secondary value-added industries*. AHUG is perceived throughout the northeast and mid-Atlantic regions as a model of success (Bodenman et al. 1990). The group was a major force behind the legislative initiatives in Pennsylvania which led ultimately to the passage of the Hardwoods Development Council Act. Five additional multi-county regional hardwood utilization groups were formed to encourage forest based economic development and promote the wood based industry. Because of its longevity and reputation for accomplishment, each of the other groups is patterned after AHUG. However, while some of the other regional groups are incorporated as distinct entities, they are not uniquely independent cogs within the existing economic development infrastructure. Only AHUG has no current ties to a local development district or another agency; the group's full-time executive director reports to an independent board of directors. AHUG's membership includes representatives from the wood industry, utility companies, local development organizations, and other concerned individuals. Funding sources include various federal, state, and local programs, but the majority of operating support is derived from membership fees and donations. Regardless, AHUG and the other groups continue to receive financial assistance directly from the HDC, and would not be self-sufficient, even with their aggressive grantsmanship, without the state-level funding lifeline.

The array of regional group objectives can be distilled to the following areas: labor training, marketing assistance, technology transfer, financial assistance, industry/region promotion, forest resource sustainability, and lobbying. All groups share the broad mission of fostering expansion of the wood industry, and all are united in that endeavor under PWIA, the Pennsylvania Wood Industry Association, which was formed in 1991.

Under the PWIA banner, the groups rally around the call for wise management and stewardship of Pennsylvania's forests. Their support of good stewardship leans toward benefitting the industry today, however, rather than ensuring a wood supply for a future, expanded industry. The groups tend to focus on public forestland issues, promoting increased annual timber harvests from state forests. This thrust

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them. However, excluding foreign log buyers would reduce competition and lower prices paid for logs or standing timber (Jones et al. 1992). Indeed, the persons who stand to suffer most from the lower stumpage rates are the non-industrial landowners, who seldom re-invest in good forest management even at today's prices. The best way to encourage wood industry expansion is not to "protect" the existing industry by reducing competition, but to provide for its future wood supply and empower it to meet the contingencies of the future.

Another facet of regional group action that is clearly oriented to their industry clientele, much as a trade association, is their strident calls for more reasonable regulations (particularly environmental regulations) affecting the wood industry. Incongruously enough, much of the battle is with the same state bureaucracy which so strongly supports wood industry expansion. Interestingly, Rubin (1986) characterized such groups as "public-private organizations," questioning whether they effectively coordinate business and government and create overall improvement in the local economy. Instead, he hypothesized that they provide a "legitimizing front to hide transfers of public wealth (tax subsidies, infrastructure, construction) to the private sector."

Despite these confusing and occasionally contradictory positions, the regional groups are well-positioned to effectively encourage and support an ex-

seems misplaced in light of Pennsylvania's forest ownership pattern. More than 70 percent of the state's 16 million acres of commercial forests are owned by non-industrial private forestland (NIPF) owners, who account for 75 percent of the state's annual timber harvests.

The regional groups generally support some type of raw log export embargo, which ostensibly would create jobs here in lieu of exporting

panding wood industry. The opportunity they provide for networking, educational programming, and technical assistance can enhance Pennsylvania's Hardwood Initiative, unless the warning signals of contradiction and confusion are symptomatic of more serious ills. That is, the typical industrial development group (i.e. the regional hardwood groups) may have no positive effect on either manufacturing or non-manufacturing employment growth within its service area (Humphrey and Erikson 1989). In fact, Meyer (1991) concluded that "by and large, local economic development expenditures waste scarce public resources." Instead, the efforts of such growth promotion groups are simply overwhelmed in importance by other factors, including population, access to metropolitan areas, location in a growth region, and wage rates characterizing the respective service area (Humphrey et al. 1988).

Other Economic Development Interests: The regional hardwood groups, with the exception of AHUG, are administratively linked to a Local Development District (LDD), which is a publicly funded industrial development group servicing an area designated and defined by the Appalachian Regional Commission. The LDDs are key players in regional economic development, but they are not the only players. Individual communities, Resource Conservation and Development Districts, utilities, consultants, universities, and others are similarly engaged. Their territories and operations frequently overlap. Even to the fully initiated, the roles and responsibilities are not clearly defined. Indeed, the "one stop shopping" offered by the Governor's Response Team appears to be an administrative short cut to dealing with the tangle of established economic development infrastructure.

Forestry Community: As a major, statewide program to encourage forest based economic development, the Hardwood Initiative places surprisingly little emphasis on the physical forest resource. Although foresters are involved locally, serve on the HDC, and participate in committees of the Council, the forestry community has not played a major role in designing and directing the effort, and mistakes have been made as a result (Jones 1990).

Realizing Pennsylvania's Potential

Pennsylvania's Hardwood Initiative is not hopelessly mired, despite the baggage of traditional eco-

conomic development that the program employs to spur forest based economic development. A number of policy and process modifications can ensure that the program lives up to its regional and national reputation for excellence. In the next issue of this journal, we offer recommendations for realizing Pennsylvania's potential for forest based economic development.

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